

Statement of

**William E. Kennard, Chairman
Federal Communications Commission**

**Before the
United States Senate
Committee on Commerce, Science, and Transportation**

on

Federal Communications Commission Oversight Hearing

May 26, 1999

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to review with you today the FCC's performance during the last eighteen months and how we have fulfilled our statutory obligations. Much of our work over the last eighteen months has continued to focus on implementing and enforcing the Telecommunications Act of 1996. Because so much of that Act was focused on promoting competition in local telecommunications services, encouraging deployment of advanced services, and deregulating where possible, I will focus my remarks today on these subjects.

Overview

I am pleased to report that the Act is working: competition is growing in a wide range of telecommunications markets -- we see increased competition among long distance providers and consumers are beginning to have competitive choices for many local telecommunications services for the first time. The competitive deployment of advanced broadband services is spreading rapidly, and we are removing large amounts of historical regulation, particularly through the biennial review process and the forbearance authority granted in the Act.

Today, we see tantalizing glimpses of this competitive, deregulated future. Many markets, such as wireless and long distance markets are quite competitive and many -- but not all -- of the fundamental prerequisites for fully competitive, deregulated local telecommunications markets are now in place as the result of Congressional mandates in the Act, and the rapid implementation of the Act by the FCC and our colleagues in the State Public Utility Commissions.

This is not to say that fully competitive markets are inevitable and that we can now declare victory and simply walk away. Vigorous enforcement of the fundamental prerequisites for

competitive markets and active, intelligent dispute resolution will remain necessary for some years to come, particularly if we are to avoid the kind of lengthy antitrust litigation that plagued the development of long distance competition. Indeed, today we are at that very delicate "tipping point": with just a little more time -- and probably a lot more effort -- we'll be "over the top" and competition will gain a firm foothold. But if we are unable or unwilling to make this effort, the momentum toward competitive markets will slow, the balance will tip the other way and just as inevitably send us back to 1996 and even 1990.

The coming year promises to hold breakthroughs in many telecommunications markets. The market-opening process in the Act has worked in tandem with the incentives and protections of Section 271 of the Act. I am encouraged by the progress being made by some of the Bell Operating Companies toward meeting the checklist requirements of Section 271. I look forward to the day that I can join my fellow Commissioners in granting a meritorious application for entry into interLATA telecommunications markets and seeing that decision withstand judicial scrutiny in the D.C. Circuit.

I also anticipate substantial developments in the coming year with respect to the rapid deployment of advanced telecommunications services, including increased deployment in rural areas. In particular, broadband services delivered over DSL or cable modems should increase dramatically in residential markets throughout the country. Wireless competition also will continue to grow, and it is not unreasonable to begin looking to the day where wireless telephony services will be viewed by some consumers as a substitute for wireline services. We should also see increased progress towards open markets internationally, and it should be a good year for the development of exciting new satellite services.

In sum, we are on the right track. Our implementation of the Congressional framework is working and we will have competitive, deregulated telecommunications markets in all

sectors of the industry, and in all parts of the country, if we stay on course. It will take diligence and hard work by the FCC and our partners in the State Public Utility Commissions before fully competitive local markets are the norm, but I know that the dedicated women and men at the FCC and the State Commissions are ready and willing to undertake this hard work. I hope that all the members of the Commerce Committee, the Senate and the entire Congress will support us in this effort.

Good News: The Telecommunications Sector Is Thriving

By every measure, the telecommunications industry is thriving. One-fourth of our country's recent economic growth has come from the information technology sector. Since the passage of the Telecommunications Act, revenues of the communications sector of our economy have grown by over \$140 billion. For 1998, it is estimated that the communications sector of our economy will have revenues in excess of \$500 billion dollars. The market values of most companies in the telecommunications sector have increased substantially, indicating that Wall Street anticipates that the overall growth from competition will exceed lost market shares. In other words, telecommunications is like a rapidly enlarging pie that is big enough for many new participants; it is not a "zero sum" game.

This growth has not happened by accident. It is the direct result of sound Congressional policies that have been implemented and enforced by the FCC and the states. The old regulatory structure guaranteed that telecommunications markets would display the attributes of monopoly -- lack of choice, consumer dissatisfaction, delays in deploying new services, excessive regulation, and slow growth. As we replace this structure with a framework for competitive, deregulated markets and begin to change attitudes through vigorous enforcement of the new framework, we are experiencing a blossoming in telecommunications that touches the lives of almost every American. Now, a growing

number of American families across this nation have a choice of a vast array of high-tech communications services, and those services offer far greater capabilities, with far greater quality, and often at lower prices.

This growth comes not only from established providers but, since the passage of the Act, we can now clearly see benefits flowing from the new competitors that are emerging as a result of the implementation of the Act by the FCC and the states. As barriers to entry have been removed and the fundamental rights that are necessary for competitive provision of telecommunications have been established, new firms have been showing up all over the country to take advantage of the pent-up demand for choices, new services, and lower prices. For example, the revenues of new local service providers more than doubled in 1997, and they increased substantially again in 1998. And this growth has meant new jobs for thousands of Americans.

In the wireless industry, Congress and the FCC have created the conditions for substantial growth. The FCC has auctioned off large amounts of spectrum, making it possible for new firms to enter markets, and we have worked hard to address some of the fundamental conditions for vigorous competition, such as interconnection. As a result, annual capital investment more than tripled between 1993 and 1998, with more than \$50 billion of cumulative investment through 1998. Similarly, the wireless industry generated almost three times as many jobs last year as in 1993. The industry did all this while the cost of service to the consumer dropped. A wireless telephone is no longer a luxury for the privileged. Instead, with the advances in cellular service, the advent of PCS and digital services, and most importantly, increased competition--choices of providers offering comparable service--mobile telephones are now a common communications tool for over seventy million people.

Together with Congress and the Executive Branch, we have also promoted open entry and pro-competitive policies throughout the world, ranging from FCC policies to reduce international settlement rates to the adoption of the landmark World Trade Organization (WTO) agreement on telecommunications services. Together with the growth in our domestic markets, these policies will help ensure that companies such as AT&T, BellSouth, MCI Worldcom, Ameritech, Sprint, SBC, Bell Atlantic and U S West have the opportunity to stay among the top twenty telecommunications companies, by revenue, worldwide. Similarly, GE Americom, Hughes, Loral and PanAmSat are among the top twenty satellite service providers, by revenue, worldwide. And US satellite manufacturers such as Hughes, Lockheed Martin, Loral, Motorola and Orbital Sciences maintain a strong lead in contracting and subcontracting satellite systems worldwide.

I can't finish a summary of the sector without mentioning the Internet. It goes without saying that the Internet is booming, creating new jobs, new and better means of education and commerce. The Internet is a testament to a wise regulatory policy: don't regulate unless there is a clearly demonstrable need to do so. The FCC established a "hands off" policy three decades ago as evidenced by the original Computer Inquiry, and I can assure you that the FCC will not regulate Internet services. In fact, I believe that the unregulated, highly competitive Internet is a useful model for the more traditional telecommunications sectors. Of course, the basic legal prerequisites for competitive markets such as property rights and laws governing contractual relations should be enforced by the appropriate authorities.

These are just a few examples of how the wise policies adopted by Congress and implemented by the FCC and the states have produced a telecommunications economy that is thriving, and are doing so in an increasingly competitive environment.

Status of Competition

Let me take a few minutes to give you an idea of how competition is evolving, starting with markets for long distance telecommunications services. There are now over 600 long distance providers offering services, some on their own facilities, some entirely by resale and still others by a combination of owned facilities and resale. The vibrant competition between these firms has given customers a wide range of choices of providers and services, which has made an appreciable difference on the prices most consumers pay for long distance services. Long distance prices have steadily dropped over the past few years. The average cost of domestic interstate long distance dropped from 11.8 cents per minute to 10.3 cents per minute from 1996 to 1997. At the same time, the average rate per minute for an international call dropped from \$0.70 in 1996 to \$0.64 in 1997. Consumers have responded to these rate reductions by increasing their use of these services. Interstate and international calling increased to 500 billion minutes in 1998.

The wireless industry is surging. Everything that is supposed to be up is up, everything that is supposed to be down is down. Subscriberhip is up, jobs are up, investment is up, consumer bills are down, and the wait for a license is down. What is important to remember is that this surge of the wireless industry followed the elimination of the original duopoly structure and the introduction of competition by making more spectrum available to more players. In other words, Congressional and FCC policies to foster competition have worked for consumers' benefit and we expect that our local competition policies will bring similar benefits to wireline services.

The international market is also flourishing. With the adoption and implementation of the WTO Agreement countries representing 90% of the \$600 billion global market for basic telecommunications have pledged to open their markets to international competition. We

have been successful in our negotiation of bi-lateral agreements with other governments to permit provision of satellite service in their countries, such as Mexico and Argentina. We are also seeing substantial progress with international settlement rates as a result of the WTO Agreement and FCC decisions such as the International Settlement Rate ("Benchmarks") Order recently affirmed by the D.C. Circuit.

Domestically, local competition is still nascent, but it is making significant strides. The revenues of local service competitors in 1998 were about \$4 billion. It is estimated that new local competitors now provide, over their own networks or by reselling incumbent company lines and unbundled loops, service to between four and five million telephone lines to customers--between two to three percent of the nation's total telephone lines.

Local competitors are taking an increasing share of nationwide local service revenues. Local competition is broadening: new competitors are reselling incumbent company lines in almost every state -- and about 40% of the incumbent lines they resell are connected to residences; new facilities-based competitors are active in almost every state. Local competitors continue to attract investment capital and deploy their networks. Industry sources report that 20 publicly traded competitive local exchange carriers (CLECs) have a total market capitalization of \$33 billion -- compared to six such companies with \$1.3 billion of total market capitalization prior to the 1996 Act. And these new competitors are working faster and working smarter. They continue to build fiber optic-based networks at a faster rate than incumbents.

Advanced Services / Broadband Deployment

I would like to speak briefly about the progress in the last three years in the area of "advanced telecommunications capability," or "broadband" as it is popularly known.

What is broadband? It is two-way communications of voice, data and images via any technology and, most importantly, at vastly higher speeds than most consumers have ever had in their homes. In practical terms, broadband will make it possible to change web pages as fast as you can flip through the pages of a book; will make possible two-way video conferencing in the home so that family members can see each other instead of just talking; and can make possible the downloading of feature length movies in minutes.

Broadband can also greatly increase the possibilities of distance learning and medical treatment at home; and its potential for persons with disabilities -- for increased communications via sign language or speech reading with the advantage of facial expressions and other nuances, and the possibility of text-based Internet pages converted into braille -- is enormous.

Section 706 of the 1996 Act, of course, directs the Commission to encourage the deployment of broadband to all Americans on a reasonable and timely basis. We released a Report in January on our nation's progress towards that goal.

Our Report is just a snapshot taken a few seconds after the starting gun of a very long race -- we and the runners in that race have a long way to go. In our Report, we concluded that advanced telecommunications capabilities are being rolled out in this country at a rate that outpaces the rollout of previous breakthrough products and services in the communications field. So, by this objective measure, we are ahead of the curve. On a subjective level, however, I am impatient. I want the Internet to go faster and farther for all Americans, and I am particularly concerned about deployment in rural areas and inner cities. We must ensure that a geometric increase in the deployment of advanced services is not accompanied by a geometric increase in the urban-rural disparity.

At this early stage, the signs are encouraging. We see two things, in particular.

First, since the 1996 Act, there has been an enormous amount of activity in the broadband area. Investment in broadband facilities has been tens of billions of dollars -- large sums even by the standards of this business. In what is usually the most difficult part of this business to enter -- the so-called "last mile" to the home -- many companies are building last miles, or giving serious study to the idea.

- Local exchange carriers, both incumbent and competitive, are deploying new technology that has reinvigorated the ubiquitous and simple copper telephone loops into effective and low cost broadband connections for residential consumers as well as businesses.
- Cable television companies are adding two-way broadband capabilities to their networks which are inherently focused on residential consumers, including rural and non-urban areas.
- Electrical power utilities, wireless cable companies, mobile and fixed radio companies, and many satellite companies are building or planning broadband systems -- some with revolutionary new technologies -- to serve residential consumers.

Second, in terms of residential subscribers who are paying for the service, today broadband is on par with, or ahead of, the telephone, black-and-white and color television, and cellular service at the same stage in their deployment. And according to the cable and telephone companies, by the end of this year they will be offering broadband to millions of residences.

As mentioned above, we at the FCC are committed to the greatest vigilance in ensuring that broadband services are deployed as rapidly as possible in rural areas that have been historically bypassed by competition and technological advances. In this regard, I am pleased to note that broadband services are being offered to residential consumers in a number of small towns and rural areas, which indicates that rural areas do not present intractable problems for broadband deployment. Rural areas may be targeted especially by satellite companies, which already have the highest proportion of their customers for Direct Broadcast Satellite television services in rural areas. I would also like to thank those senators who joined with Senators Daschle and Dorgan in their letter to me last week. They have made recommendations that hold promise for rural America, and I look forward to working with them.

The success of broadband so far is the result of many longstanding FCC policies. For example, the FCC has sought to facilitate new competition in all phases of the telecommunications business, enforcing unbundling requirements so that newcomers have fair access to elements of the incumbent networks, and allocating large blocks of spectrum in ways that make them useable for any technically feasible service.

Because this is the very early stage in broadband's deployment, the nature of consumer demand is very unclear. Certainly, at present, it seems that many companies are entering broadband and offering it at consumer-friendly prices, and residential consumers are starting to find out about broadband. The market seems to be working and the best role for government is to observe, monitor and enforce our long-standing policies of promoting competition and providing the spectrum and access rights that are the building blocks for a competitive market.

Telecommunications Mergers and Acquisitions: Reconsolidation or Foundation for the Future?

A strong effort to firmly establish competition in local markets and your support of this goal is all the more necessary since the telecommunications industry is experiencing a wave of mergers and acquisitions. As this Committee is aware, smaller companies are “bulking up” by merging with each other, and major “name brand” telecommunications companies are also merging with one another as well as acquiring smaller companies.

This activity could portend a reconsolidation of the telecommunications industry that prevents competition, to the public’s detriment, or it could establish a strong foundation for aggressive competition and innovation that greatly benefits the public.

With the stakes so high, when formerly monopolized markets are being opened to competition, it is essential that we do as much as we can to prevent anything that will retard the development of competition. This means lowering entry barriers, ensuring efficient interconnection of facilities, and encouraging the development and deployment of new technologies. This also means that the Commission needs to be particularly careful in evaluating mergers during this time of change and uncertainty, because a merger, once consummated, cannot easily be broken up. You can’t unscramble an egg.

“Good” mergers can spur competition by creating merged entities that can compete more aggressively and that can more quickly move into previously monopolized markets. If this competition develops, it will make it possible to substantially deregulate the local exchange markets, just as strong competition justified the substantial deregulation of the long distance and wireless markets. Similarly, a vertical merger between two firms that do not appear to be likely significant competitors in each other’s markets may generate public

benefits without imposing anticompetitive costs.

But “ bad” mergers are likely to slow the development of competition. Among the anticompetitive harms arising from a "bad" merger are: eliminating firms that would have entered markets; raising barriers to entry; discouraging investment; increasing the ability of the merged entity to engage in anticompetitive conduct; and making it more difficult for the Commission and State Public Utility Commissions to monitor and implement procompetitive policies. What makes evaluation of telecommunications mergers so difficult is that regulatory barriers to entry have, until recently, prevented many of these companies from competing with each other. Accordingly, it is not enough to simply consider whether existing rivalry between the firms would suffer, which is the focus of most traditional antitrust merger analysis. Rather, one must consider whether, but for the merger, the companies would have entered each other's markets and spurred the development of competition in formerly monopolized markets.

In this time of great change and uncertainty, the FCC needs to be particularly vigilant to prevent any developments, including mergers, to slow the development of competition. That is why the FCC and, in some cases, State Public Utility Commissions, need to apply their unique knowledge, expertise and judgement in reviewing proposed mergers and acquisitions.

In essence, there are three points to be asked regarding mergers:

Do we want a cartel or competition? The Department of Justice typically evaluates competition that currently exists and, under existing antitrust precedent, it faces obstacles to challenging mergers between companies that do not currently compete. In contrast, the FCC is charged with creating the conditions for competition called for by the 1996 Act.

Second, a merger, left un-reviewed by FCC, could violate the Communications Act. The FCC must enforce the telecommunications laws and ensure compliance with the Communications Act.

Finally, we always use the same standard -- the public interest test. Moreover, we always use an open and transparent process that is fully consistent with the Administrative Procedure Act. All interested parties, including the applicants and members of the public, must have the opportunity to participate and be heard. The FCC also must respond to the concerns raised in the record and explain its decision in writing in its order, which may be reviewed by the appellate courts.

Barriers to Competition Remain

Some of the most crucial prerequisites for local competition take a considerable period of time to put in place, even under the best of circumstances. Unfortunately, but not surprisingly, the availability of some of the most important prerequisites have been delayed, sometimes through litigation, sometimes through the intransigence of parties that are threatened by competition, and sometimes through the sheer scale and complexity of the task.

This latter factor -- the sheer complexity of the task -- cannot be ignored: the development of local exchange competition is simply an order of magnitude more complicated, more labor-intensive and more capital-intensive than was the development of long distance competition.

While the industry players actually have to do the work, regulators can play a critical role by

getting the players together, insisting that a solution be found, setting standards and deadlines, and resolving implementation disputes. For example, by facilitating the development of the technical solution and establishing a clear implementation schedule for Local Number Portability, the FCC played a catalytic role in eliminating one complex technical barrier to competition.

Although some amount of litigation is inevitable, the Supreme Court's recent reaffirmation of the FCC's fundamental responsibility to implement the Act has removed considerable uncertainty that may have been slowing the development of local competition. Another major barrier to local competition will fall as soon as the FCC is able to complete the determination later this year of what network elements should be unbundled -- in accordance with the Supreme Court's remand.

To keep markets open and the competitive momentum going, the FCC will act as the liaison between the incumbent LECs and the CLECs to minimize disputes and avoid lengthy proceedings and litigation. Where the FCC's intervention cannot quickly resolve interconnection problems informally, we are using our "rocket docket" to adjudicate these disagreements quickly, and to keep the market functioning smoothly.

Universal Service and Access Charge Reform

Another area that has direct implications for the state of competition in the local market is our system of universal service subsidies and our interrelated access charge system. The Commission is currently engaged in a monumental undertaking which is known as universal service reform. The efforts Congress undertook to make universal service a part of the Telecommunications Act of 1996 were Herculean. We are working to ensure that our reformation of the universal service mechanisms embrace the vision you had when

you passed legislation codifying universal service. In fact, tomorrow the Commission will take yet another step toward the reforms we need to make in order to accomplish the goals you established.

As we move forward with universal service reform, we must be vigilant to balance caution and ambition. Our goal, like yours, is to ensure we satisfy the Telecommunications Act's clear policy of ensuring the availability of affordable phone service to consumers in all regions of the nation. Overzealousness or inaction could undermine this very clear policy goal. As you know, the FCC adopted a forward looking cost model last fall. Tomorrow I will recommend that my colleagues adopt an order and a further notice on the Federal State Joint Board recommendations and a further notice on the elements or "inputs" to be used within the model. I will urge my fellow commissioners to adopt many of the recommendations of the Federal State Joint Board, and put out for comment those recommendations that require further discussion among interested parties. I will also recommend that we look for comment on the actual inputs we will use in the cost model in order to implement the new universal service mechanism that is specific, predictable and sufficient. We are working diligently to adopt a final mechanism for the non-rural companies in September, for implementation in January 2000.

Recognizing that access to technology is essential for future jobs and an important step necessary to close the digital divide, I have also consistently advocated the Congressionally-created universal service support for service to classrooms and libraries -- the so-called E-rate. Under my tenure, the Commission finalized implementation of the E-rate and prioritized assistance so that the most needy would receive the biggest benefit. Moreover, the Commission ensured that strong program controls were in place. According to one study, 87% of Americans support the e-rate. This past year, 32,000 school districts, schools, and libraries from across the nation submitted applications for E-rate funding. At

tomorrow's Commission meeting, I will be recommending that we fully-fund the E-rate program so that we can meet this demand and continue the work we've done this past year. With this funding, we'll be able to connect one-third of public schools throughout rural America. We look forward to working with you as we bring your vision of a reformed universal service mechanism to fruition.

Consumer Initiatives

Throughout my tenure, I have sought to stress the importance of promoting competition while making sure it is not at the expense of consumers. Towards this end, we have taken a number of steps to ensure that consumers receive the benefits of the communications revolution.

- We have adopted Truth in Billing rules, to ensure that phone bills are clear and easy to read and that no service charges are "crammed" onto the bills of consumers who didn't order or understand. These new rules require that bills be clear and understandable; new charges be highlighted; all charges have clear explanations about what they are and who to contact if there is a problem; and the bills state clearly which charges, if not paid, will result in termination of service.
- We now offer on the FCC's own website a "Parents, Kids, and Communications Page." This site gives parents easy-to-understand information on some of the tools available to them when their children navigate the Internet and other media. We have included information on a whole range of filtering software, information on how to block 1-900 calls, information on how to get a cable 'lock-box' to block out certain channels, and an explanation of the TV ratings system and the V-chip.

- The FCC recently adopted tough new rules to take the profit out of slamming altogether. In 1998, the Commission also assessed or proposed more than \$15 million in fines for "slamming" violations and now is consistently proposing slamming fines of over \$1 million. Unfortunately, once again litigation is inhibiting our ability to enforce these new rules. In addition, for the first time ever, we revoked a carrier's license to provide interstate services because of slamming abuses. We also brokered and endorsed industry-developed guidelines to stop "cramming" that have significantly reduced the number of cramming complaints and issued rules to protect consumer privacy concerning the use and disclosure of personal information to marketers.
- At our Commission Agenda meeting just two weeks ago, we adopted rules that will improve the ability of cellular phone users to complete wireless 911 calls. This will improve the security and safety of analog cellular users, especially in rural and suburban areas. The Commission approved three mechanisms for use by the cellular industry, any of which will result in more wireless 911 calls being completed than occurs today. We also took steps to improve consumer choice and foster competition regarding the commercial availability of navigation devices (e.g cable television set-top boxes).
- We recently ordered long distance carriers to publicly post their rates on the Internet, in an easy-to-understand, clear format, permitting millions of Americans on-line to find out easily about long-distance rates. Newspapers and consumer groups will be able to make this information available to those not yet on-line. This action will make it easier for consumers to obtain information to help select the long distance plan that best suits their individual needs, once underlying litigation about our decision to require detariffing is resolved.

- We also are taking steps to ensure that the fifty-four million people with disabilities are not left out of the communications revolution. We have also strengthened closed captioning rules so that persons who are deaf or hard-of-hearing will have access to more programs on television; proposed new rules for telecommunications relay services and proposed to require the provision of speech-to-speech relay service; advocated that industry provide solutions to the problem of compatibility between digital wireless phones and TTYs; proposed rules to make telecommunications services and equipment accessible to persons with disabilities; and are also working with the Architectural and Transportation Barriers Compliance Board to propose rules on accessibility requirements for federal agencies when they use or purchase electronic and information technology.

A New FCC for the Twenty-First Century

I am submitting as part of my testimony today a report entitled "A New Federal Communications Commission for the Twenty-First Century." The Report describes the communications marketplace -- past, present, and future -- and the implications of those changes for the FCC's structure and regulatory framework. It is part of a continuing process of self-assessment that the Commission has been engaging in to transform itself to meet the challenges of an information-age economy and an ever-changing communications industry. This process of dramatic evolution at the FCC is required by the changes wrought in the Telecommunications Act of 1996, and it is consistent with the approach taken in the Act. The Act was evolutionary instead of revolutionary: rather than discarding the old regulatory framework at once, which would have been highly disruptive and fraught with uncertainty, Congress created a new "pro-competitive, de-regulatory policy framework" while explicitly preserving the existing regulatory framework and directing the FCC to forbear from the old regulations as competition developed. Nonetheless, the

pace and magnitude of change set in motion by the 1996 Act is truly breathtaking.

My vision for a "New FCC" is a bold one -- the FCC should change dramatically over the next five years. The FCC must undergo truly significant change to match the rapid evolution in markets set in motion by the 1996 Act. In a world of fully competitive communications markets, the FCC should focus only on those core functions that are not normally addressed by market forces. These core functions should revolve around: i) universal service, consumer protection and information; ii) enforcement and promotion of pro-competition goals domestically and worldwide; and iii) spectrum management.

The steps we are taking to transition to this model include: 1) *Restructuring*: We are consolidating currently dispersed enforcement functions into an Enforcement Bureau, and currently dispersed public information functions into an Information Bureau. The consolidation of these two key functions will improve efficiency and enhance the delivery of these services to the general public and to industry. 2) *Streamlining and Automation*: We are investing in new technology to create a "paperless FCC" by processing applications and licenses faster, cheaper, and in a more consumer friendly way through electronic filing and universal licensing. 3) *Deregulation*: We are completing 32 deregulation proceedings covering hundreds of rules as a result of our 1998 Biennial Review of regulations, and intend for the 2000 Biennial Review to produce even more deregulatory actions. 4) *Strategic Plan*: We are conducting three public forums with industry, consumer groups, state and local governments, and academic experts to solicit input on what the FCC's role should be in the Twenty-First Century, how we should be structured, and how we can work more efficiently and effectively to deliver services to the public. We have also established an e-mail site, "newfcc@fcc.gov" to receive additional input from the public on the above questions. The result of this effort will be a draft Strategic Plan covering a five-year period which we will submit to Congress in July 1999 for its review, and on which we will seek

additional public comment.

Conclusion

We have come a long way towards a more competitive market place in communications, but we have much more work to do. The transition from monopoly regulation to open markets, from today's technologies to tomorrow's breakthroughs, is not yet complete. For the coming year our agenda is clear: promote competition, foster new technologies, protect consumers, and ensure that all Americans have access to the communications revolution.

These will be the goals that guide us as we implement the Supreme Court's instructions on UNEs, as we continue opening local phone markets, as we work to make communications available to all Americans, as we review the mergers now before the Commission as well as those we may receive.

The agenda for this year continues on the foundation laid last year: competition, community, common sense. We have a lot of work to do, and we have the will to do it well.

- We will promote competition in all sectors of the marketplace. We will reform access charges, and ensure that proposed mergers are pro-competitive and benefit consumers.
- We will continue to deregulate as competition develops, eliminating any unnecessary regulatory burdens, reducing reporting requirements, streamlining rules and our own internal functions.

- We will continue to protect consumers from unscrupulous competitors, and give customers the information they need to make wise choices in a robust and competitive marketplace. We will continue our policy of "zero tolerance" for those competitors who would rather cheat than compete.
- We will work to ensure that the Act's provisions on RBOC entry into the long distance marketplace are implemented in a manner that promotes competition and consumer welfare and is fair to all of the parties.
- We will ensure broad access to communications services and technologies for all Americans, no matter where they live. We will complete universal service reforms, continue oversight of the schools and libraries and rural health care universal service programs, encourage accessibility of emergency information via closed-captioning and video description, and ensure that the 54 million Americans with disabilities can use and have access to the communications network.
- We will foster innovation, working to ensure that America remains the world's leader in innovation. We will continue to promote the development and deployment of high speed Internet access, promote compatibility of digital video technologies with existing equipment and services, and promote competitive alternatives to cable and broadcast TV.
- Finally, we will advance these concepts worldwide, serving as an example and advocate of telecommunications competition worldwide. We will work to encourage the development of international standards for global interconnectivity, work to promote the fair use of spectrum through the WRC 2000, work on the worldwide adoption of the WTO Agreement for Basic Telecommunications, and aggressively enforce the FCC's

International Settlement Rate ("Benchmark") Order to reduce rates for international calls. We will continue to assist other nations in establishing conditions for deregulation, competition, and increased private investment in their telecommunications infrastructure so that they too, can share in the promise of the Information Age, and become our trading partners.

This is an important and dynamic time in the history of telecommunications policy. I look forward to continuing to work with this Committee and other members of Congress so that the decisions we make today ensure that all Americans -- irrespective of where they live, their race, their age, or their special needs -- can share in the promise of the Information Age.

Thank you. I look forward to answering any questions you may have.

Executive Summary

A New Federal Communications Commission for the 21st Century

William E. Kennard,

Chairman, Federal Communications Commission

We are standing at the threshold of a new century, a century that promises to be as revolutionary in the technology that affects our daily lives and the future of our country as the inventions and innovations that so profoundly shaped the past 100 years. Just as the internal combustion engine, the telephone, and the railroad brought about our country's transformation from an agricultural to an industrial society, the microchip, fiber-optic cables, digital technology, and satellites are fueling our transition from an industrial to an information-age society. As the marketplace changes, so must the Federal Communications Commission (FCC). The top-down regulatory model of

the Industrial Age is as out of place in this new economy as the rotary telephone. As competition and convergence develop, the FCC must streamline its operations and continue to eliminate regulatory burdens. Technology is no longer a barrier, but old ways of thinking are.

Enclosed is a Report entitled "A New Federal Communications Commission for the 21st Century." This report is part of a continuing process of self-assessment that the Commission has been engaging in to transform itself to meet the challenges of an information-age economy and an ever-changing communications industry. The Report describes the communications marketplace -- past, present, and future -- and the implications of those changes for the FCC's structure and regulatory framework.

My vision for a "New FCC" is a bold one -- in five years, the FCC should be dramatically changed. In a world of fully competitive communications markets, the FCC should focus only on those core functions that are not normally addressed by market forces. **These core functions would revolve around: i) universal service, consumer protection and information; ii) enforcement and promotion of pro-competition goals domestically and worldwide; and iii) spectrum management.**

The steps we are taking to transition to this model include: 1) **Restructuring**: We are consolidating currently dispersed enforcement functions into an Enforcement Bureau, and currently dispersed public information functions into a Public Information Bureau. The consolidation of these two key functions will improve efficiency and enhance the delivery of these services to the general public and to industry. 2) **Streamlining and Automation**: We are investing in new technology to create a "paperless FCC" by processing applications, licenses, and consumer complaints faster, cheaper, and in a more consumer friendly way through electronic filing and

universal licensing. 3) **Deregulation**: We are completing 32 deregulation proceedings covering multiple rule parts as a result of our 1998 Biennial Review of regulations, and intend for the 2000 Biennial Review to produce even more deregulatory actions. 4) **Strategic Plan**: We are preparing a five-year Strategic Plan that will outline our timetable for restructuring and streamlining FCC functions and management. As part of this process, we will work with Congress, state and local governments, industry, consumer groups, and others on a critical assessment of what the "New FCC" should look like and how we should get there.

FCC 1999 Proposed Restructuring and Streamlining Timetable*

March Submit House Reauthorization Testimony/Initial Report to Congress

April/May Conduct preliminary meetings and discussions with Congress and other Stakeholders on Strategic Plan

May 20, Conduct Public Forums with Industry, Consumers, State and Local
June 2 & 11 Government Representatives, and Academics and Organizational
Experts

May 26 Submit Senate Oversight Testimony

June Transmit Current Restructuring Plan to Commissioners (Enforcement
Bureau and Public Information Bureau)

July Transmit Current Restructuring Plan to Congress and National Treasury

Employees Union

Transmit Draft Strategic Plan to Congress, OMB, and Stakeholders

Organize 2000 Biennial Review Team

September Transmit Final Strategic Plan to Congress, OMB, and Stakeholders

October Establish Enforcement Bureau and Public Information Bureau

November Begin Outreach on 2000 Biennial Review

FY 2000 Begin Implementing Five-Year Strategic Plan

***Note: Many of these dates are subject to change and may need Commission or Congressional approval.**

A NEW FEDERAL COMMUNICATIONS COMMISSION FOR THE 21ST CENTURY

I. The Federal Communications Commission and the Changing Communications Marketplace

A. Introduction

Congress enacted the Communications Act of 1934 to provide for the widest dissemination of communications services to the public. Section 1 of the Communications Act states that the purpose of the Act is to "make available . . . to all the people of the United States, without discrimination . . . a rapid, efficient, Nation-wide, and world-wide wire and radio communication service . . . at reasonable charges."

This goal remains vibrant today. What has changed since 1934 is the means to get to this goal. With the passage of the Telecommunications Act of 1996 (Telecom Act), Congress recognized that competition should be the organizing principle of our communications law and policy and should replace micromanagement and monopoly regulation. The wisdom of this approach has been proven in the long distance, wireless, and customer premises equipment markets, where competition took hold and flourished, and consumers receive the benefit of lower prices, greater choices, and better service.

The imperative to make the transition to fully competitive communications markets to promote the widest deployment of communications services is more important today than ever before. In 1934, electronic communications for most Americans meant AM radio and a telephone, and sending the occasional Western Union telegram. Today, it

means AM and FM radio, broadcast and cable TV, wireline and wireless telephones, faxes, pagers, satellite technology, and the Internet -- services and technologies that are central to our daily lives. Communications technology is increasingly defining how Americans individually, and collectively as a nation, will be competitive into the next century. It is increasingly defining the potential of every American child. So the goal of bringing communications services quickly to all Americans, without discrimination, at reasonable charges, continues to be of paramount importance. Competition is the best way to achieve this goal, while continuing to preserve and protect universal service and consumer protection goals.

To accomplish this goal, our vision for the future of communications must be a bold one. We must expect that in five years, there can be fully competitive domestic communications markets with minimal or no regulation, including total deregulation of all rate regulation in competitive telephone services. In such a vibrant, competitive communications marketplace, the Federal Communications Commission (FCC) would focus only on those core functions that cannot be accomplished by normal market forces. We believe those core functions would revolve around universal service, consumer protection and information; enforcement and promotion of pro-competition goals domestically and internationally; and spectrum management. As a result, the traditional boundaries separating the FCC's current operating bureaus should no longer be relevant. In five years, the FCC should be dramatically changed.

We are working to transition the FCC to that model -- based on core functions in a competitive communications market -- now. We are writing the blueprint for it, beginning with this report describing the steps we are already taking. After receiving input from our key stakeholders, we plan to develop this report into a five-year Strategic Plan which will outline precisely our objectives and timetable year by year for

achieving our restructuring, streamlining, and deregulatory objectives. We must work with Congress, state and local governments, industry, consumer groups, and others to ensure that we are on the right track, and that we have the right tools to achieve our vision of a fully competitive communications marketplace.

B. The State of the Industry

In the Telecom Act, Congress directed the FCC to play a key role in creating and implementing fair rules for this new era of competition. Over the course of the past three years, the FCC has worked closely with Congress, the states, industry, and consumers on numerous proceedings to fulfill the mandates of the Telecom Act.

By many accounts, the Telecom Act is working. Many of the fundamental prerequisites for a fully competitive communications industry are now in place, competitive deployment of advanced broadband services is underway, and the stage is set for continued deregulation as competition expands.

Furthermore, by many measures, the communications industry is thriving. Since the passage of the Telecom Act, revenues of the communications sector of our economy have grown by over \$100 billion. This growth comes not only from established providers, but also from new competitors, spurred by the market-opening provisions of the Telecom Act. (See Appendix A, Charts 1 and 2) This growth has meant new jobs for thousands of Americans.

In the wireless industry, capital investment has more than tripled since 1993, with more than \$50 billion of cumulative investment through 1998. Mobile phones are now a common tool for over 60 million people every day, and the wireless industry has

generated almost three times as many jobs as in 1993. (See Appendix A, Chart 3)

Consumers are beginning to benefit from the thriving communications sector through price reductions not only of wireless calls, but also of long distance and international calls. (See Appendix A, Charts 4 and 5) Consumers are also beginning to enjoy more video entertainment choices through direct broadcast satellites, which are becoming viable alternatives to cable. We are also at the dawn of digital TV, which offers exciting new benefits for consumers in terms of higher quality pictures and sound and innovative services. (See Appendix A, Charts 6 and 7) As we enter this digital age, broadcast TV and radio is still healthy, ubiquitous, and providing free, local news, entertainment, and information to millions of Americans across the country.

Beyond the traditional communications industries, the Internet has truly revolutionized all of our lives. According to a recent study, at least 38% of American adults (79.4 million) already are online and another 18.8 million are expected to go online in the next year. In 1998, 26% of retailers had a website, over three times the number in 1996, and it is estimated that they generated over \$10 billion in sales. On-line sales for 1999 are projected to be anywhere from \$12 to \$18 billion.

Communications markets are also becoming increasingly globalized as the Telecom Act's procompetitive policies are being emulated around the world. Other countries are modeling their new telecommunications authorities after the FCC. As other countries open their communications markets and increase their productivity, new services and business opportunities are created for U.S. consumers and companies, as well as for consumers and companies worldwide.

C. Communications in the 21st Century

Even more change is expected in the telecommunications marketplace of tomorrow. In the new millennium, millions of consumers and businesses will be able to choose from a range of services and technologies vastly different from those available today. Packet-switched networks, running on advanced fiber optics and using open Internet Protocols to support seamless interconnection to transport immense amounts of information, will be ubiquitous. Millions of homes and businesses will be linked to this "network of networks " through "always on" broadband connections. Outside the wired confines of the home or office, "third generation" wireless technologies will provide high-speed access wherever a consumer may be. Satellite technology will increase the ability to transfer data and voice around the world and into every home.

Electronic commerce will play an even more central role in the economy of the 21st Century. Americans in the next century will be connected throughout the day and evening, relying on advanced technologies not only to communicate with others, but also as a vital tool for performing daily tasks (such as shopping or banking), for interacting with government and other institutions (such as voting, tax filing, health, and education), and for entertainment (such as video, audio, and interactive games).

In the marketplace of tomorrow, it is expected that traditional industry structures will cease to exist. The "local exchange" and "long distance" telephone markets will no longer be distinct industry segments. Video and audio programming will be delivered by many different transmission media. In a world of "always on" broadband telecommunications, narrow-band applications – such as our everyday phone calls – will represent just a tiny fraction of daily traffic. Cable operators, satellite companies, and even broadcast television stations will compete with today's phone companies in the race to provide consumers a vast array of communications services. In addition,

telephone and utility companies may be offering video and audio programming on a wide-scale basis. As cross-industry mergers, joint ventures, and promotional agreements are formed to meet users' demand, the traditional distinctions between these industry segments will blur and erode.

D. Impact of Industry Convergence

Convergence across communications industries is already taking place, and is likely to accelerate as competition develops further. Thus, in addition to refocusing our resources on our core functions for a world of fully competitive communications markets, the FCC must also assess, with the help of Congress and others, how to streamline and consolidate our policymaking functions for a future where convergence has blurred traditional regulatory definitions and jurisdictional boundaries.

The issues involved in thinking about convergence and consolidation are complex. Prior to the Telecom Act, the core of the Communications Act was actually three separate statutes: it incorporated portions of the 1887 Interstate Commerce Act (governing telephony), the 1927 Federal Radio Act (governing broadcasting), and the 1984 Cable Communications Policy Act (governing cable television). Telephony is regulated one way, cable a second, terrestrial broadcast a third, satellite broadcast a fourth. As the historical, technological, and market boundaries distinguishing these industries blur, the statutory differences make less and less sense. Maintaining them will likely result in inefficient rules that stifle promising innovation and increase opportunities for regulatory arbitrage.

Some argue for developing regulatory principles that cut across traditional industry boundaries. For example, the policies of interconnection, equal access, and open

architecture have served consumers well in the wireline context, a traditionally regulated industry. Similarly, concepts of connectivity, interoperability, and openness are the lifeblood of the Internet, an unregulated industry. While these similar principles appear to cut across these different media, it is unclear whether and how the government should be involved, if at all, in applying these principles in a world where competition will largely replace regulation.

At the very least, as competition develops across what had been distinct industries, we should level the regulatory playing field by leveling regulation down to the least burdensome level necessary to protect the public interest. Our guiding principle should be to presume that new entrants and competitors should not be subjected to legacy regulation. This is not to say that different media, with different technologies, must be regulated identically. Rather, we need to make sure that the rules for different forms of media delivery, while respecting differences in technology, reflect a coherent and sensible overall approach. To the extent we cannot do that within the confines of the existing statute, we need to work with Congress and others to reform the statute.

II. The 21st Century: A New Role for the FCC

A. The Transition Period

As history has shown, markets that have been highly monopolistic do not naturally become competitive. Strong incumbents still retain significant power in their traditional markets and have significant financial incentives to delay the arrival of competition. Strong and enforceable rules are needed initially so that new entrants have a chance to compete. At the same time, historical subsidy mechanisms for telecommunications services must be reformed to eliminate arbitrage opportunities by both incumbents and new entrants.

The technologies needed for the telecommunications marketplace of the future are still evolving, and developing them fully requires significant time and investment. Moreover, there is no guarantee that market forces will dictate that these new technologies will be universally deployed. The massive fixed-cost investments required in some industries will mean that new technologies initially will be targeted primarily at businesses and higher-income households. Even as deployment expands, the economics of these new networks may favor heavy users over lighter users, and in some areas of the country deployment may lag behind.

At the same time, consumer preferences will not change overnight. The expansion of communications choices is already leading to greater consumer confusion. Especially in a world of robust competition, consumers will need clear and accurate information about their choices, guarantees of basic privacy, and swift action if any company cheats rather than competes for their business.

While the opportunities for the United States and the world of a global village are enormous, they can only be realized if other countries follow our lead in fostering competition in national and world markets. People all over the world benefit as more countries enter the Information Age and become trading partners. Thus, as we continue on our own course of bringing competition to former domestic monopoly markets, we must also continue to promote open and competitive markets worldwide.

In sum, although the long-term future of the telecommunications marketplace looks bright, the length and difficulty of the transition to that future is far from certain. To achieve the goal of fully competitive communications markets in five years, we must continue to work to ensure that all consumers have a choice of local telephone carriers and broadband service providers, and that companies are effectively deterred from unscrupulous behavior. We must also continue to promote competition between different media, promote the transition to digital technology, and continue to ensure that all Americans have a wide and robust variety of entertainment and information sources.

B. The FCC's Role During the Transition to Competition

During the transition to fully competitive communications markets, the FCC, working in conjunction with the states, Congress, other federal agencies, industry, and consumer groups, has six critical goals, all derived from the Communications Act and other applicable statutes:

Promote Competition: Goal number one is to promote competition throughout the communications industry, particularly in the area of local telephony. The benefits of competition are well documented in many communications sectors -- long distance, wireless, customer-premises equipment, and information services. The benefits of local telephone competition are accruing at this time to large and small companies, but not, for the most part, to residential consumers. We must work to ensure that all communications markets are open, so that all consumers can enjoy the benefits of competition.

To meet this goal, we must continue our efforts to clarify the provisions of the Telecom Act relating to interconnection and unbundled network elements, work with the Bell Operating Companies (BOCs), their competitors, states and consumer groups on meeting the requirements of the statute related to BOC entry into the long distance market, reform access charges, and, as required by Sections 214 and 310(d) of the Communications Act and section 7 of the Clayton Act, continue to review mergers of telecommunications companies that raise significant public interest issues related to competition and consumers.

In the mass media area, we must continue the pro-competitive deployment of new technologies, such as digital television and direct broadcast satellites, and the

maintenance of robust competition in the marketplace of ideas. To meet these goals, we must continue rapid deployment of new technologies and services and regular oversight of the structure of local markets to ensure multiple voices, all the while updating our rules to keep pace with the ever-changing mass media marketplace.

Deregulate: Our second goal is to deregulate as competition develops. Consumers ultimately pay the cost of unnecessary regulation, and we are committed to aggressively eliminating unnecessarily regulatory burdens or delays. We want to eliminate reporting and accounting requirements that no longer are necessary to serve the public interest. Also, where competition is thriving, we intend to increase flexibility in the pricing of access services. We have already deregulated the domestic, long distance market as a result of increased competition, and we stand ready to do so for other communications markets as competition develops. We have also streamlined our rules and privatized some of the functions involved in the certification of telephones and other equipment. We are currently streamlining and automating our processes to issue licenses faster, resolve complaints quicker, and be more responsive to competitors and consumers in the marketplace.

Protect Consumers: Our third goal is to empower consumers with the information they need to make wise choices in a robust and competitive marketplace, and to protect them from unscrupulous competitors. Consumer bills must be truthful, clear, and understandable. We will have "zero tolerance" for perpetrators of consumer fraud such as slamming and cramming. We will make it easier for consumers to file complaints by phone or over the Internet, and reduce by 50 percent the time needed to process complaints. Further, we will remain vigilant in protecting consumer privacy. We will also continue to carry out our statutory mandates aimed at protecting the welfare of children, such as the laws governing obscene and indecent programming.

Bring Communications Services and Technology to Every American: Our fourth goal is to ensure that all Americans -- no matter where they live, what they look like, what their age, or what special needs they have -- should have access to new technologies created by the communications revolution. Toward this end, we must complete universal service reform to ensure that communications services in high-cost areas of the nation are both available and affordable. We must also ensure that our support mechanisms and other tools to achieve universal service are compatible and consistent with competition. We must evaluate -- and if necessary, improve -- our support mechanisms for low-income consumers, and in particular Native Americans, whose telephone penetration rates are some of the lowest in the country. We must make certain that the support mechanisms for schools, libraries, and rural health care providers operate efficiently and effectively. We must make sure that the 54 million Americans with disabilities have access to communications networks, new technologies and services, and news and entertainment programming.

Foster Innovation: Our fifth goal is to foster innovation. We will promote the development and deployment of high-speed Internet connections to all Americans. That means clearing regulatory hurdles so that innovation -- and new markets -- can flourish. We must continue to promote the compatibility of digital video technologies with existing equipment and services. Further, we will continue to encourage the more efficient use of the radio spectrum so that new and expanding uses can be accommodated within this limited resource. More generally, we will continue to promote competitive alternatives in all communications markets.

Advance Competitive Goals Worldwide: Our sixth goal is to advance global competition in communications markets. The pro-competitive regulatory framework

Congress set forth in the Telecom Act is being emulated around the world through the World Trade Organization Agreement. We will continue to assist other nations in establishing conditions for deregulation, competition, and increased private investment in their communications infrastructure so that they can share in the promise of the Information Age and become our trading partners. We must continue to intensify competition at home and create growth opportunities for U.S. companies abroad. We will continue to promote fair spectrum use by all countries.

C. The FCC's Core Functions in a Competitive Environment

As we accomplish our transition goals, we set the stage for a competitive environment in which communications markets look and function like other competitive industries. At that point, the FCC must refocus our efforts on those functions that are appropriate for an age of competition and convergence. In particular, we must refocus our efforts from managing monopolies to addressing issues that will not be solved by normal market forces. In a competitive environment, the FCC's core functions would focus on:

Universal Service, Consumer Protection and Information. The FCC will continue to have a critical responsibility, as dictated by our governing statutes, to support and promote universal service and other public interest policies. The shared aspirations and values of the American people are not entirely met by market forces. Equal access to opportunity as well as to the public sphere are quintessential American values upon which the communications sector will have an increasingly large impact. We will be expected to continue to monitor the competitive landscape on behalf of the public interest and implement important policies such as universal service in ways compatible with competition.

In addition, as communications markets become more competitive and take on attributes of other competitive markets, the need for increased information to consumers and strong consumer protection will increase. We must work to ensure that Americans are provided with clear information so that they can make sense of new technologies and services and choose the ones best for them. We must also continue to monitor the marketplace for illegal or questionable market practices.

Enforcement and Promotion of Pro-Competition Communications Goals

Domestically and Worldwide. As markets become more competitive, the focus of industry regulation will shift from protecting buyers of monopoly services to resolving disputes among competitors, whether over interconnection terms and conditions, program access, equipment compatibility, or technical interference. In the fast-paced world of competition, we must be able to respond swiftly and effectively to such disputes to ensure that companies do not take advantage of other companies or consumers.

The FCC is a model for other countries of a transparent and independent government body establishing and enforcing fair, pro-competitive rules. This model is critical for continuing to foster fair competition domestically as well as to open markets in other countries, to the benefit of U.S. consumers and firms and consumers and firms worldwide. There always will be government-to-government relations and the need to coordinate among nations as communications systems become increasingly global. As other nations continue to move from government-owned monopolies to competitive, privately-owned communications firms, they will increasingly look to the FCC's experience for guidance.

Spectrum Management. The need for setting ground rules for how people use the radio spectrum will not disappear. We need to make sure adequate spectrum exists to accommodate the rapid growth in existing services as well as new applications of this national and international resource. Even with new technologies such as software-defined radios and ultra-wideband microwave transmission, concerns about interference will continue (and perhaps grow) and the need for defining licensees and other users' rights will continue to be a critical function of the government. We will thus continue to conduct auctions of available spectrum to speed introduction of new

services. In order to protect the safety of life and property, we must also continue to consider public safety needs as new spectrum-consuming technologies and techniques are deployed.

D. Coordination with State and Local Governments and other Federal Agencies

In order to fulfill our vision of a fully competitive communications marketplace in five years, we need a national, pro-competitive, pro-consumer communications policy, supplemented by state and local government involvement aimed at achieving the same goal. The Telecom Act set the groundwork for this goal, and the Commission is fulfilling its role of establishing the rules for opening communications markets across the country, in partnership with state regulators. The Commission must continue to work with state and local governments to promote competition and protect consumers. Toward this end, we have instituted a Local and State Government Advisory Committee to share information and views on many critical communications issues.

The importance of working and coordinating our efforts in the communications arena with other federal agencies will also continue. We work particularly closely with the Federal Trade Commission on consumer and enforcement issues, and with the Department of Justice on competition issues. We also work with other federal agencies on public safety, disability, Y2K, reliability, and spectrum issues, just to name a few. We see our role vis-a-vis other federal agencies as cooperative and reinforcing, where appropriate.

III. The 21st Century: A New Structure for the FCC

A. The FCC's Evolving Structure

The FCC must change its structure to match the fast-paced world of competition and to meet our evolving goals and functions, as derived from our authorizing statutes. Our transition goals must be accomplished with minimal regulation or no regulation where appropriate in a competitive marketplace. Moreover, a restructured and streamlined FCC must be in place once full competition arrives, so that we can focus on providing consumers information and protection, enforcing competition laws, and spectrum management.

In sum, we must be structured to react quickly to market developments, to work more efficiently in a competitive environment, and to focus on bottom-line results for consumers. As competition increases, we must place greater reliance on marketplace solutions, rather than the traditional regulation of entry, exit, and prices; and on surgical intervention rather than complex rules in the case of marketplace failure. We must encourage private sector solutions and cooperation where appropriate. But we also must quickly and effectively take necessary enforcement action to prevent abuses by communications companies who would rather cheat than compete for consumers. Ultimately, throughout the agency, we must be structured to render decisions quickly, predictably, and without imposing unnecessary costs on industry or consumers.

B. Current Restructuring Efforts

The FCC is currently structured along the technology lines of wire, wireless, satellite, broadcast, and cable communications. As the lines between these industries merge and blur as a result of technological convergence and the removal of artificial barriers to entry, the FCC needs to reorganize itself in a way that recognizes these changes and prepares for the future. A reorganization of the agency, over time, along

functional rather than technology lines will put the FCC in a better position to carry out its core responsibilities more productively and efficiently.

As the first step in this process, in October 1998, Chairman Kennard announced plans to consolidate currently dispersed enforcement functions into a new Enforcement Bureau and currently dispersed public information functions into a Public Information Bureau. The consolidation of these two key functions that are now spread across the agency will improve efficiency and enhance the delivery of these services to the general public and to industry. The consolidation of these functions will also encourage and foster cooperation between the two new bureaus, other bureaus and offices, and state and local governments and law enforcement agencies. The end result will be improvements in performance of both these functions through an improved outreach program, a better educated communications consumer, and a more efficient, coherent enforcement program.

The new Enforcement Bureau will replace the current Compliance and Information Bureau and, likewise, the new Public Information Bureau will include the current Office of Public Affairs, except for a small separate Office of Communications that will be responsible for interacting with the news media and for managing the agency's Internet website.

The Commission is also investing in new technology to process applications, licenses, and consumer complaints faster, cheaper, and in a more consumer friendly way through electronic filing and universal licensing. Our goal is to move to a "paperless FCC" that will result in improved service to the public. Examples of these efforts include universal licensing, streamlined application processes, revised and simplified licensing forms, blanket authorizations, authorization for unlicensed

services, and electronic filing of license applications and certifications.

1. Enforcement Bureau

Since the Telecom Act was passed, telephone-related complaints have increased by almost 100%. In 1996, the Common Carrier Bureau received over 28,000 complaints; in 1998, that number increased to over 53,000 complaints. With the increase in competition, we expect even more complaints to be filed as consumers grapple with changes in both service options and providers. While we have been implementing streamlined, electronic processes to address this burgeoning workload, we have also determined that the consolidation of many widely dispersed enforcement functions into an Enforcement Bureau is an important step toward a more forward-looking FCC organizational structure that will emphasize the importance of effective enforcement of the Communications Act.

The Commission currently has four organizational units dedicated principally or significantly to enforcement -- the Compliance and Information Bureau, the Mass Media Bureau Enforcement Division, the Common Carrier Bureau Enforcement Division and the Wireless Telecommunications Bureau Enforcement and Consumer Information Division. Consolidating most enforcement responsibilities of these organizations into a unified Enforcement Bureau will result in more effective and efficient enforcement. The Enforcement Bureau will coordinate enforcement priorities and efforts in a way that best uses limited Commission resources to ensure compliance with the important responsibilities assigned to the FCC by Congress.

The consolidation of various FCC enforcement functions also responds to the fact that the need for effective enforcement of the Communications Act and related

requirements is becoming even more important as competition and deregulation increase. As communications markets become increasingly competitive, the pace of deregulation will intensify. Those statutory and rule provisions that remain in an increasingly competitive, deregulatory environment will be those that Congress and the Commission have determined remain of central importance to furthering key statutory goals -- e.g., providing a structure for competition to flourish, assisting customers and users of communications services in being able to benefit from competitive communications services, ensuring that spectrum is used in an efficient manner that does not create harmful interference, and promoting public safety.

As unnecessary regulation is eliminated and the demands of the marketplace increase, the Commission must focus its resources on effective and swift enforcement of the statutory and regulatory requirements that remain. The consolidation of our enforcement activities will allow us to do just that in a streamlined, centralized, and more effective way.

2. Public Information Bureau

Consumer inquiries at the Commission have increased dramatically since 1996. In 1998, we received over 460,000 phone calls to telephone service representatives, and over 600,000 calls to our automated response system. There were on average over 266,000 hits on the FCC's web site a day, totalling over 97 million in 1998 (up over 400% from 21 million in 1996). We expect these numbers to increase as more consumers seek information regarding the ever growing array of services and providers in the communications marketplace.

Currently, consumer inquiries are handled by several different offices and bureaus throughout the Commission and the methods used to handle these inquiries vary widely. While each office has a small contingent of staff handling inquiries, they have had varying degrees of success in meeting the ever increasing volume. Although the Commission established a National Call Center in June 1996, current processes still require a great number of consumers seeking information to contact other offices and bureaus directly to get their questions answered.

The creation of the Public Information Bureau allows the Commission to better serve the public by establishing a single source organization as a "one-stop" shop or "FCC General Store" for handling all inquiries and the general expression of views to the Commission, thereby better meeting the public's information needs. Merging resources of the Office of Public Affairs, which includes public service and inquiry staffs and the Commission's public reference files, with the FCC Call Center will provide a streamlined, more efficient, and consolidated information source for the public. Consumers would only have to contact one source, whether by telephone (1-888-CALLFCC) or by E-mail or the Internet (FCCINFO@FCC.GOV). The Public Information Bureau also plans to establish one source for mailing inquiries to the FCC (for example, P.O. FCC). The Public Information Bureau will also be responsible for facilitating resolution of informal consumer complaints, thereby strengthening the mission of the new Bureau to address most individual consumer needs in one place.

The creation of the Public Information Bureau will encourage more public participation in the work of the Commission. The staff of the Public Information Bureau will conduct consumer forums across the country to inform and solicit feedback from consumers about the Commission's policies, goals, and objectives. This feedback will be shared with other bureaus to help ensure that Commission rules are fair, effective,

and sensible, and that they support competition while responding to consumer concerns. The Public Information Bureau also plans to share its databases with state and local governments as appropriate, to coordinate our respective abilities to respond to consumer complaints and track and address industry abuses.

The creation of the Public Information Bureau supports the Commission's efforts to foster a pro-competitive, deregulatory, and pro-consumer approach to communications services. The staff of the Public Information Bureau will provide consumers with information so that consumers can make informed decisions regarding their communications needs. The staff of the Public Information Bureau will also work with other bureaus to issue consumer alerts and public service announcements to give consumers information about their rights and information to protect themselves from unscrupulous individuals and firms. Finally, the Public Information Bureau will provide easy public access to FCC information as well as a convenient way for the public to make its views known, thus supporting the Commission's efforts to assist communities across America in dealing with complex communications issues and to provide opportunities for a wide range of voices to be expressed publicly.

3. Streamlining and Automating the FCC Licensing Process

The Commission's "authorization of service" activities cover the licensing and authorization through certification, and unlicensed approval, of radio stations and devices, telecommunications equipment and radio operators, as well as the authorization of common carrier and other services and facilities. The Commission has already begun automating and reengineering our authorization of service processes across the agency by reengineering and integrating our licensing databases and through the implementation of electronic filing.

The Universal Licensing System (ULS) project is fundamentally changing the way the Commission receives and processes wireless applications. ULS will combine all licensing and spectrum auctions systems into a single, integrated system. It collapses 40 forms into four; allows licensees to modify online only those portions of the license that need to be modified without resubmitting a new application; and advises filers when they have filled out an application improperly by providing immediate electronic notification of the error. During the month of February 1999, 75% of receipts (916 applications) filed under the currently implemented portions of ULS were processed in one day.

Universal licensing is an example of how we are working to change the relationship between the Commission, spectrum licensees, and the public by increasing the accessibility of information and speeding the licensing process, and thus competitive entry, dramatically. Universal licensing is becoming the model for automated licensing for the entire agency.

In the Wireless Telecommunications Bureau, electronic filing has been fully implemented throughout the Land Mobile Radio services, antenna registration, and amateur radio filings. More than 50% of the Wireless Telecommunications Bureau's filings are now accomplished electronically. Significant service improvements are evidenced by the fact that 99% of Amateur Radio service filings are now processed in less than five days, with most electronically filed applications being granted overnight. The Wireless Bureau also has an initiative to transfer the knowledge used by license examiners in manually reviewing applications to computer programs so that applications can be received, processed, and licenses granted in even less time.

The Mass Media Bureau is implementing a similar electronic filing initiative. In October, the FCC issued rules that substantially revise the application process in 15 key areas, including sales and license renewals, in order to effectuate mandatory electronic filing for broadcasters. When fully implemented, the new electronic filing system will reduce the resources required to process authorizations, accelerate the grant of authorizations, and improve public access to information about broadcast licensees.

The Common Carrier Bureau has also implemented electronic filing of tariffs and associated documents via the Internet. The Electronic Tariff Filing System enables interested parties to access and download documents over the Internet, and to file petitions to reject, or suspend and investigate tariff filings electronically. Since July 1, 1998, over 10,000 electronic tariff filings have been received, replacing approximately 750,000 pages of information.

The results of all these streamlining efforts include a more economical use of FCC personnel resources, improvement in processing times, the ability of our customers to file via the Internet or through other electronic filing mechanisms, and the ability to provide our customers with immediate status reports on their applications as well as real time access to on-line documents. It is estimated that our move toward a "paperless FCC" will save the public approximately 700,000 hours of paperwork in this fiscal year alone.

4. Budget and Workforce Impact

In anticipation of the expected increased efficiencies our restructuring plans and other streamlining and automation improvements will produce, the FCC is confronting

the issue of how it should look and operate in FY 2000 and beyond. We expect that our re-engineering and restructuring efforts will yield increased efficiencies and streamlining opportunities, particularly in the area of authorization of service, due to automation and regulatory changes. However, these efforts will also result in the potential displacement of staff in certain locations and a need to retrain and reassign other staff.

Buyout authority is a tool that will enhance the Commission's ability to alter the skills mix of its workforce to carry out its changing mission more effectively. Targeted buyouts for staff would facilitate our restructuring efforts in a cost-effective manner. The Commission has requested buyout authority in its budget request for FY 2000.

The Commission is dedicated to keeping staff informed and involved in our restructuring and streamlining efforts, and to minimizing workplace disruption that may result from these efforts through staff retraining, reassignment, and other methods. It is critical, as we consider ways to restructure and streamline Commission operations, that we continue to recognize and respect the hard work of our employees, many of whom have been with the Commission for many years. Change is always difficult, and it is imperative that our staff understands and supports the necessary changes that are taking place -- and will continue to take place -- at the Commission. Accordingly, we are working closely with the National Treasury Employees Union (NTEU) to ensure that staff is involved in all these issues and that their views are incorporated into the Commission's planning process.

5. Restructuring Process and Timeline

Planning for the Public Information Bureau began in late November 1998 and for

the Enforcement Bureau in mid-December 1998. A Task Force comprised of both managers and staff from relevant Bureaus and Offices, as well as NTEU representatives, has been meeting regularly since early January to consider such issues as the appropriate functions of each of the Bureaus and their organization. Efforts have also been made on an informal basis both inside and outside the Commission to ensure that a wide range of ideas are considered during the planning process. A proposed reorganization plan should be formally submitted to the Commission for its consideration in Spring, 1999. Upon approval by the Commission, it will be formally submitted to the NTEU and appropriate congressional committees.

C. Restructuring to Reflect Industry Convergence

As the traditional lines dividing communications industries blur and eventually erode, the traditional ways of regulating or monitoring these industries will also have to change. The FCC must think about the complex issues resulting from converging communications markets from both a policy and structural perspective. How the FCC should be structured to address issues arising from a more competitive, converged communications marketplace is inextricably tied up with the policy choices that will be made on how to address the blurring of regulatory distinctions.

From a structural perspective, as noted in our FY2000 budget submitted to Congress, there are a number of steps we are committed to take. We will continue to evaluate whether certain regulations are no longer necessary in the public interest and should be repealed or modified as required by Section 11 of the Communications Act. We will continue to use our forbearance authority where appropriate. We will continue our efforts to reduce reporting requirements and eliminate unnecessary rules, and to level regulation to the least burdensome possible, consistent with the public interest.

In addition, in our FY 2000 budget, we have committed to reviewing our cable services and mass media functions.

We recognize that much additional analysis is needed to consider the impact of industry convergence on the FCC's policies and rules and on our structure. We will continue to meet with Congress, our state regulatory partners, industry, consumer groups, and others to solicit input and feedback on our restructuring, streamlining and policy initiatives and the impact of industry convergence.

IV. Substantive Deregulation Efforts

As telecommunications markets become more competitive, we must eliminate regulatory requirements that are no longer useful. We are already engaged in an ongoing process of reviewing our entire regulatory framework to see which rules should be eliminated or streamlined.

A. FCC Biennial Review of Regulations

In November 1997, the Commission initiated a review of the Commission's regulations, as required by Section 11 of the Telecom Act. Beginning in 1998 and in every even-numbered year thereafter, the FCC must conduct a review of its regulations regarding the provision of telecommunications service and the Commission's broadcast ownership rules. The Telecom Act charges the Commission with determining whether, because of increased competition, any regulation no longer serves the public interest.

Chairman Kennard announced in November 1997 that the Commission's 1998

Biennial Review would be even broader than mandated by the Telecom Act. In addition, at the Chairman's direction, the Commission accelerated the Congressionally-mandated biennial review requirement by beginning in 1997 rather than in 1998. As part of the 1998 Biennial Review, each of the operating bureaus, together with the Office of General Counsel, hosted a series of public forums and participated in practice group sessions with the Federal Communications Bar Association to solicit informal input from the public. The Commission also hosted a web site on the biennial review and asked for additional suggestions via e-mail.

After input from the public, the Commission initiated 32 separate biennial review rulemaking proceedings, covering multiple rule parts, aimed at deregulating or streamlining Commission regulations. The Commission devoted substantial attention and resources to the biennial review. Roughly two-thirds of the proceedings involved common carrier deregulation or streamlining. The Commission also instituted a broad review of its broadcast ownership rules. To date, the Commission has adopted orders in seventeen of the 1998 biennial review proceedings, with others to be forthcoming. (See Appendix B)

From the outset, the focus of the Biennial Review has been on regulating in a common sense manner and relying on competition as much as possible. The Chairman and the other Commissioners have worked together to make the biennial review a meaningful force for deregulation and streamlining. The 1998 review was the Commission's first biennial review, and was being conducted while the Commission was still in the process of implementing the Telecom Act. The Chairman and the Commission intend to build on the 1998 review so that the 2000 review and future reviews will produce even more deregulatory actions.

B. Continued FCC Deregulation Efforts

As we move toward our goal of fully competitive communications markets, our efforts to streamline and eliminate unnecessary rules must be increased and expanded. Accordingly, the 2000 Biennial Review will be a top priority for the Commission.

As we did with the 1998 review, we plan to start the 2000 review early, by putting a team in place in 1999 to work with the Commissioners and the Bureaus and Offices on planning and structuring the review. We will also continue to keep our review broad in focus. The team would evaluate the success of the 1998 review and consider whether changes are necessary for the 2000 review. The team would also consider whether any changes are needed in the methodology we have used to review our regulations. The team would again solicit input and recommendations from state regulators, industry, consumer groups, and others, to ensure that the 2000 review is a major force for deregulation.

In short, we will be guided by one principle: the elimination of rules that impede competition and innovation and do not promote consumer welfare.

V. Strategic Planning Efforts

A. Background

The Government Performance and Results Act of 1993 (Results Act) provides a useful framework for a federal agency to develop a strategic plan. The Results Act recommends including as part of such a plan: a comprehensive mission statement; a

description of the general goals the agency wants to achieve and how they will be achieved; a discussion of the means, strategies and resources required to achieve our goals; a discussion of the external factors that could affect achievement of our goals; and a discussion of the consultations that took place with customers and stakeholders in the development of the plan.

The Results Act also recommends that an agency establish measurable objectives and a timeline to achieve the goals specified in the strategic plan. The agency would consult with Congress and solicit input from its customers and stakeholders. The purpose of the Results Act is to bring private sector management techniques to public sector programs.

B. FCC Implementation of the Results Act

When the Results Act was passed, the FCC was already hard at work implementing similar management initiatives. In 1993, we began the work of reinventing ourselves, streamlining and restructuring the agency to meet the challenges of the Information Age. In the process we created the Wireless Telecommunications and the International Bureaus. In 1995, we issued a report -- "Creating a Federal Communications Commission for the Information Age" -- that included numerous recommendations for administrative and legislative changes, many of which were subsequently adopted.

Each of our bureaus and offices developed their own mission statement, identified their customers and surveyed them on their needs. Benchmark customer service standards were established for each of their policy and rulemaking, authorization of service, enforcement and public information service activities. These

standards were published on their websites and customers were periodically surveyed to determine whether their service goals were being met.

We also volunteered to participate in Results Act implementation pilot projects, naming the Wireless Telecommunications Bureau's Land Mobile radio and the Office of Engineering and Technology's Equipment Authorization activities as the agency's two participants. We organized a Steering Committee with an ambitious schedule for completing the requirements of the Results Act.

C. Impact of the Telecom Act

Enactment of the Telecom Act in February 1996 had a profound impact on the FCC. Pursuant to the Telecom Act, the FCC was required to initiate numerous rulemakings, many with statutorily mandated and expedited notice and comment period. The impact of implementing the Telecom Act affected every aspect of the FCC -- its resource allocations, its schedule for rulemakings, and its very organizational structure -- for more than two years.

Enactment of the Telecom Act also changed the scope and level of our Results Act planning effort. We had to reformulate our mission and performance goals in light of the Telecom Act. We decided for the first three years after passage of the Telecom Act to marry the major goal of the Act -- to "promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of telecommunications technologies" -- with the FCC's four major budget activities of policy and rulemaking, authorization of service, compliance, and public information services.

This approach worked well during the major period that the FCC was implementing the Telecom Act. Under this approach, however, the performance goals for each of the individual Bureaus remained a somewhat disconnected patchwork of objectives reflecting a collection of individual Bureaus' efforts to implement the Telecom Act. Since passage of the Telecom Act, with the traditional distinctions between over-the-air broadcasting, cable, wireless, wireline and satellite becoming less distinct, it is becoming clear that the FCC must conceive a new approach to our mission and our structure.

D. New FCC Strategic Plan

The FCC has determined that we need a new regulatory model and a new Strategic Plan that will serve as the Commission's blueprint as we enter the 21st Century. We need a new Strategic Plan to point the way to where we want to be and the means and resources by which we will get there.

We are generally structuring our Strategic Plan based on our future core functions: universal service, consumer protection and information; enforcement and promotion of pro-competition communications goals domestically and internationally; and spectrum management. Our strategic planning efforts are thus tied into the restructuring and streamlining efforts that are already on-going. In addition, as noted above, we must take a hard look at how to organize ourselves for the New Media age. The convergence of technologies and industries require that we examine and change our stovepipe bureau structure, and we plan to address those issues in our Strategic Plan as well.

Key senior managers will be responsible for developing the strategic objectives and performance goals for the Strategic Plan. As our work on restructuring proceeds, we will convene strategic objective planning sessions to develop a planning document for each of our core activities. We will also develop a schedule, based on fiscal years, on how we will achieve our objectives.

The Strategic Plan will represent the cooperative work of the entire FCC, reflecting input from the Commissioners, Bureau management, agency staff, and others affected by or interested in the FCC's activities. In developing our Strategic Plan, we have already started to seek input from a wide variety of FCC stakeholders and intend to intensify our efforts in the next few months. These include other Commissioners, Commission staff, Members of Congress and their staff, the Office of Management and Budget (OMB), industry groups, consumer groups, academia and others. Suggestions will be gathered on both the draft Strategic Plan and on the steps to implement it -- including deregulatory actions, restructuring and realignment of FCC functions and management. In addition, we plan to incorporate comments on this document, "A New FCC for the 21st Century," into the draft Strategic Plan.

Our draft Strategic Plan, along with any implementation proposals, will be made public and we will actively solicit comment. We will issue a Public Notice encouraging the public to comment on our draft plan, which will be displayed on our Internet Home Page by July 1999. We will hold a series of meetings with interested groups to gain their insight into how we can better serve the public interest. We will make particular efforts to discuss the draft plan with Congress, the states, industry, and with consumers and small companies affected by our work. We plan to submit a more final plan to Congress and OMB in September 1999.

VII. Conclusion

Just as the communications industry and other sectors of our economy are constantly adapting to change and competition, so must the FCC. A new century and new economy demand a new FCC. We must plan for the future, while continuing to work on the challenges we face today to promote competition, foster innovation, and help bring the benefits of the 21st century to all Americans. We look forward to working with Congress, industry, consumers, state and local governments, and others on a critical assessment of what the "New FCC" should look like, and how we can get there.

APPENDIX A

(Include Charts)

Charts not available on disk.

APPENDIX B

1998 BIENNIAL REGULATORY REVIEW

I. PROCEEDINGS INITIATED -- COMPLETED/ORDERS ISSUED

Telecommunications Providers (Common Carriers)

Streamline and consolidate rules governing application procedures for wireless services to facilitate introduction of electronic filing via the Universal Licensing System. 1998 Biennial Regulatory Review -- Amendment of Parts 0, 1, 13, 22, 24, 26, 27, 80, 87, 90, 95, 97, and 101 of the Commission's Rules to Facilitate the Development and Use of the Universal Licensing System in the Wireless Telecommunications Services, WT Dkt No. 98-20, NPRM, FCC 98-25 (rel. March 19, 1998), R&O, FCC 98-234 (rel. Oct. 21, 1998).

Streamline the equipment authorization program by implementing the recent mutual recognition agreement with Europe and providing for private equipment certification. 1998 Biennial Regulatory Review -- Amendment of Parts 2, 25 and 68 of the Commission's Rules to Further Streamline the Equipment Authorization Process for Radio Frequency Equipment, Modify the Equipment Authorization Process for Telephone Terminal Equipment, Implement Mutual Recognition Agreements and Begin Implementation of the Global Mobile Personal Communications by Satellite (GMPCS) Arrangements, GEN Dkt No. 98-68, NPRM, FCC 98-92 (rel. May 18, 1998), R&O, FCC 98-338 (rel. Dec. 23, 1998).

Eliminate rules concerning the provision of telegraph and telephone franks. 1998 Biennial Regulatory Review -- Elimination of Part 41 Telegraph and Telephone

Franks, CC Dkt No. 98-119, NPRM, FCC 98-152 (rel. July 21, 1998), R&O, FCC 98-344 (rel. Feb. 3, 1999).

In addition to addressing issues remanded by the Ninth Circuit, reexamine the nonstructural safeguards regime governing the provision of enhanced services by the Bell Operating Companies (BOCs) and consider elimination of requirement that BOCs file Comparably Efficient Interconnection (CEI) plans. Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services; 1998 Biennial Regulatory Review -- Review of Computer III and ONA Safeguards and Requirements, CC Dkt Nos. 95-20 and 98-10, FNPRM, FCC 98-8 (rel. Jan. 30, 1998), R&O, FCC 99-36 (rel. Mar. 10, 1999).

Provide for a blanket section 214 authorization for international service to destinations where the carrier has no affiliate; eliminate prior review of pro forma transfers of control and assignments of international section 214 authorizations; streamline and simplify rules applicable to international service authorizations and submarine cable landing licenses. 1998 Biennial Regulatory Review -- Review of International Common Carrier Regulations, IB Dkt No. 98-118, NPRM, FCC 98-149 (rel. July 14, 1998), R&O, FCC 99-51 (rel. Mar. 23, 1999).

Removal or reduction of, or forbearance from enforcing, regulatory burdens on carriers filing for technology testing authorization. 1998 Biennial Regulatory Review -- Testing New Technology, CC Dkt No. 98-94, NOI, FCC 98-118 (rel. June 11, 1998), Policy Statement, FCC 99-53 (rel. Apr. 2, 1999).

Deregulate or streamline policies governing settlement of accounts for exchange of

telephone traffic between U.S. and foreign carriers. 1998 Biennial Regulatory Review - Reform of the International Settlements Policy and Associated Filing Requirements, IB Dkt No. 98-148, NPRM, FCC 98-190 (rel. Aug. 6, 1998), R&O, FCC 99-73 (rel. May 6, 1999).

Modify accounting rules to reduce burdens on carriers. 1998 Biennial Regulatory Review -- Review of Accounting and Cost Allocation Requirements, CC Dkt No. 98-81, NPRM, FCC 98-108 (rel. June 17, 1998), R&O, FCC 99-106 (adopted May 18, 1999).

Eliminate duplicative or unnecessary common carrier reporting requirements. 1998 Biennial Regulatory Review -- Review of ARMIS Reporting Requirements, CC Dkt No. 98-117, NPRM, FCC 98-147 (rel. July 17, 1998), R&O, FCC 99-107 (adopted May 18, 1999).

Other

Amend cable and broadcast annual employment report due dates to streamline and simplify filing. 1998 Biennial Regulatory Review -- Amendment of Sections 73.3612 and 76.77 of the Commission's Rules Concerning Filing Dates for the Commission's Equal Employment Opportunity Annual Employment Reports, MO&O, FCC 98-39 (rel. Mar. 16, 1998).

Streamline broadcast filing and licensing procedures. 1998 Biennial Regulatory Review -- Streamlining of Mass Media Applications, Rules and Processes, MM Dkt No. 98-43, NPRM, FCC 98-57 (rel. Apr. 3, 1998), R&O, FCC 98-281 (rel. Nov. 25, 1998).

Provide for electronic filing for assignment and change of radio and TV call signs.

1998 Biennial Regulatory Review -- Amendment of Part 73 and Part 74 Relating to Call Sign Assignments for Broadcast Stations, MM Dkt No. 98-98, NPRM, FCC 98-130 (rel. June 30, 1998), R&O, FCC 98-324 (rel. Dec. 16, 1998).

Simplify and unify Part 76 cable pleading and complaint process rules. 1998 Biennial Regulatory Review -- Part 76 - Cable Television Service Pleading and Complaint Rules, CS Dkt No. 98-54, NPRM, FCC 98-68 (rel. Apr. 22, 1998), R&O, FCC 98-348 (rel. Jan. 8, 1999).

Streamline the Gettysburg reference facilities so that electronic filing and electronic access can substitute for the current method of written filings/access. 1998 Biennial Regulatory Review -- Amendment of Part 0 of the Commission's Rules to Close the Wireless Telecommunications Bureau's Gettysburg Reference Facility, WT Dkt No. 98-160, NPRM, FCC 98-217 (rel. Sept. 18, 1998), R&O, FCC 99-45 (rel. Mar. 11, 1999).

Streamline and consolidate public file requirements applicable to cable television systems. 1998 Biennial Regulatory Review -- Streamlining of Cable Television Services Part 76 Public File and Notice Requirements, CS Dkt No. 98-132, NPRM, FCC 98-159 (rel. July 20, 1998), R&O, FCC 99-12 (rel. Mar. 26, 1999).

Streamline AM/FM radio technical rules and policies. 1998 Biennial Regulatory Review -- Streamlining of Radio Technical Rules in Parts 73 and 74 of the Commission's Rules, MM Dkt No. 98-93, NPRM, FCC 98-117 (rel. June 15, 1998), First R&O, FCC 99-55 (rel. Mar. 30, 1999).

Modify or eliminate Form 325, annual cable television system report. 1998 Biennial Regulatory Review -- "Annual Report of Cable Television System," Form 325, Filed Pursuant to Section 76.403 of the Commission's Rules, CS Dkt No. 98-61, NPRM, FCC 98-79 (rel. Apr. 30, 1998), R&Q, FCC 99-13 (rel. Mar. 31, 1999).

.II. PROCEEDINGS INITIATED -- PENDING

Telecommunications Providers (Common Carriers)

Deregulate radio frequency (RF) lighting requirements to foster the development of new, more energy efficient RF lighting technologies. 1998 Biennial Regulatory Review -- Amendment of Part 18 of the Commission's Rules to Update Regulations for RF Lighting Devices, ET Dkt No. 98-42, NPRM, FCC 98-53 (rel. Apr. 9, 1998).

In NPRM portion, considering forbearance from additional requirements regarding telephone operator services applicable to commercial mobile radio service providers (CMRS) and, more generally, forbearance from other statutory and regulatory provisions applicable to CMRS providers. Personal Communications Industry Association's Broadband Personal Communications Services Alliances' Petition for Forbearance For Broadband Personal Communications Services; 1998 Biennial Regulatory Review - Elimination or Streamlining of Unnecessary and Obsolete CMRS Regulations; Forbearance from Applying Provisions of the Communications Act to Wireless Telecommunications Carriers, WT Dkt No. 98-100, NPRM, FCC 98-134 (rel. July 2, 1998).

Privatize the administration of international accounting settlements in the maritime mobile and maritime satellite radio services. 1998 Biennial Regulatory Review -- Review of Accounts Settlement in the Maritime Mobile and Maritime Mobile-Satellite

Radio Services and Withdrawal of the Commission as an Accounting Authority in the Maritime Mobile and the Maritime Mobile-Satellite Radio Services Except for Distress and Safety Communications, IB Dkt No. 98-96, NPRM, FCC 98-123 (rel. July 17, 1998).

Simplify Part 61 tariff and price cap rules. 1998 Biennial Regulatory Review -- Part 61 of the Commission's Rules and Related Tariffing Requirements, CC Dkt No. 98-131, NPRM, FCC 98-164 (rel. July 24, 1998).

Modify Part 68 rules that limit the power levels at which any device attached to the network can operate to allow use of 56 Kbps modems. 1998 Biennial Regulatory Review --Modifications to Signal Power Limitations Contained in Part 68 of the Commission's Rules, CC Dkt No. 98-163, NPRM, FCC 98-221 (rel. Sept. 16, 1998).

Streamline and rationalize information and payment collection from contributors to Telecommunications Relay Service, North American Numbering Plan Administration, Universal Service, and Local Number Portability Administration funds. 1998 Biennial Regulatory Review -- Commission Proposes to Streamline Reporting Requirements for Telecommunications Carriers, CC Dkt No. 98-171, NPRM, FCC 98-233 (rel. Sept. 25, 1998).

Modify or eliminate Part 64 restrictions on bundling of telecommunications service with customer premises equipment. 1998 Biennial Regulatory Review -- Policy and Rules Concerning the Interstate, Interexchange Marketplace/implementation of Section 254(g) of the Communications Act of 1934, as Amended/Review of the Customer Premises Equipment and Enhanced Services Unbundling Rules in the Interexchange.

Exchange Access and Local Exchange Markets, CC Dkt Nos. 98-183 and 96-61, NPRM, FCC 98-258 (rel. Oct. 9, 1998).

Eliminate or streamline various rules prescribing depreciation rates for common carriers. 1998 Biennial Regulatory Review -- Review of Depreciation Requirements for Incumbent Local Exchange Carriers, CC Dkt No. 98-137, NPRM, FCC 98-170 (rel. Oct. 14, 1998).

Repeal Part 62 rules regarding interlocking directorates among carriers. 1998 Biennial Regulatory Review -- Repeal of Part 62 of the Commission's Rules, CC Dkt No. 98-195, NPRM, FCC 98-294 (rel. Nov. 17, 1998).

Seek comment on various deregulatory proposals of SBC Communications, Inc. not already subject to other biennial review proceedings. 1998 Biennial Regulatory Review -- Petition for Section 11 Biennial Review filed by SBC Communications, Inc., Southwestern Bell Telephone Company, Pacific Bell, and Nevada Bell, CC Dkt No. 98-177, NPRM, FCC 98-238 (rel. Nov. 24, 1998).

Consider modifications or alternatives to the 45 MHz CMRS spectrum cap and other CMRS aggregation limits and cross-ownership rules. 1998 Biennial Regulatory Review -- Review of CMRS Spectrum Cap and Other CMRS Aggregation Limits and Cross-Ownership Rules, WT Dkt No. 98-205, NPRM, FCC 98-308 (rel. Dec. 18, 1998).

Broadcast Ownership

Conduct broad inquiry into broadcast ownership rules not the subject of other pending proceedings. 1998 Biennial Regulatory Review -- Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996, MM Dkt No. 98-35, NOI, FCC 98-37 (rel. Mar. 13, 1998).

Other

Review current Part 15 and Part 18 power line conducted emissions limits and consider whether the limits may be relaxed to reduce the cost of compliance for a wide variety of electronic equipment. 1998 Biennial Regulatory Review -- Conducted Emissions Limits Below 30 MHz for Equipment Regulated Under Parts 15 and 18 of the Commission's Rules, ET Dkt No. 98-80, NOI, FCC 98-102 (rel. June 8, 1998).

Streamline application of Part 97 amateur service rules. 1998 Biennial Regulatory Review -- Amendment of Part 97 of the Commission's Amateur Service Rules, WT Dkt No. 98-143, NPRM, FCC 98-1831 (rel. Aug. 10, 1998).

Streamline Part 90 private land mobile services rules. 1998 Biennial Regulatory Review -- 47 C.F.R. Part 90 - Private Land Mobile Radio Services, WT Dkt No. 98-182, NPRM, FCC 98-251 (rel. Oct. 20, 1998).

